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SUBJECT: TUNISIA: ECONOMIC HIGHLIGHTS

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Summary  
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[¶1.](#) (U) This cable contains highlights of recent economic developments in Tunisia on the following topics:

- [¶A.](#) Central Bank Cuts Key Rate 0.75 Basis Points
- [¶B.](#) Trade Deficit Narrows 47.3 Percent
- [¶C.](#) Tunisia Eyes Energy Surplus
- [¶D.](#) Maghreb Arab Union Still Struggling for Unity
- [¶E.](#) GOT Authorizes First Tunisian Private Islamic Bank
- [¶F.](#) Households Indebtedness Reaches Historic Records

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Central Bank Cuts Key Rate 0.75 Basis Points  
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[¶2.](#) (U) Tunisia's Central Bank (BCT) cut its key interest rate from 5.25 to 4.5 percent on February 17, citing the global economic slowdown and falling domestic inflation. The announcement referred to recent IMF and World Bank economic growth forecasts projecting a drop in global growth from 3.4 percent in 2008 to 0.5 percent in [¶2009](#). It also noted that domestic inflation, on an annual basis, eased to 3.5 percent in January 2009 versus 4.1 percent in January [¶2008](#). This move in the key rate aims to ease credit flow and liquidity in the banking sector and preserve the country's economy growth, according to the BCT. In parallel, the BCT announced it plans to introduce new monetary policy instruments by establishing permanent facilities of deposit and credit that banks can use on their own initiative.

[¶3.](#) (SBU) Comment: According to a local private business representative, the recent BCT interest rate cut will allow indebted companies to contract new loans to continue their activities and to refinance debts caused by decreasing EU demand. In addition, the Central Bank is hoping to stimulate a demand effect on the economy by increasing household consumption. This, despite the risk that Tunisian households, already weighed down with high levels of debt, see para 12, might not respond. End Comment.

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Trade Deficit Narrows 47.3 Percent  
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[¶4.](#) (U) In January 2009, as compared to January 2008, the Tunisian trade deficit narrowed by 47.3 percent from TND 321.8 million (US \$263.88 million) to TND 169.6 million (US \$123.13 million) according

to mid-February figures from the Tunisian National Institute of Statistics (INS). Total exports and total imports decreased respectively 12.5 percent and 17.6 percent. This situation reflects the ongoing economic slowdown both internationally and domestically.

Tunisian textile exports fell 4.1 percent and phosphate exports decreased 34.6 percent. Energy and food balances, however, generated surpluses of TND 94.8 million (US \$68.82 million) and TND 0.9 million (US \$0.65 million), respectively, due to a downward trend in international commodity prices.

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Tunisia Eyes Energy Surplus  
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15. (U) Tunisian Secretary of State in charge of renewable energies and food industries Abdelaziz Rassaa predicted Tunisia will enjoy an energy surplus in 2009, as expected resources will exceed by 0.6 million tons of oil equivalent (MTOE) the projected demand. This improvement in energy supplies is due to an increase in natural gas production which jumped to 3.2 MTOE, up from 2.2 MTOE a year ago. The Hasdrubal gas field, developed by British Gas in southern Tunisia, is expected to produce an additional 2 MTOE by 2012. Concerning energy pricing policy, Rassaa said the GOT is working to index domestic prices to the international markets. Mr. Rassaa gave his statement during an international energy forum in Tunis on February 20.

16. (U) Note: GOT incentives for promoting the energy sector succeeded in boosting investments from TND 500 million (US \$395 million) to TND 2.7 billion (US \$2.21 billion) over the period 2005-2008.

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Maghreb Arab Union Still Struggling for Unity  
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17. (U) During the celebrations for the Arab Maghreb Union's (AMU) 20th anniversary on February 17, the GOT hosted a conference on the Maghreb economies. Minister of Development and International Cooperation Nouri Jouini underlined the missed opportunities for building an economic union in the Maghreb region which holds 3 percent of the world's oil reserves, 4 percent of its natural gas reserves and 50 percent of proven phosphate reserves. The Minister added that exploitation of the region's existing business opportunities could enhance trade exchange between AMU countries and increase by two additional basis points their respective economic growth.

18. (U) The head of the Tunisian Agriculture and Fishing Union (UTAP) Mabrouk El-Bahri considered it imperative that, in the context of increasing global competition, the Maghreb countries coordinate their efforts to meet the challenges of food security; climate change; and the depletion of environmental resources, especially water and fisheries. Hedi Djilani, head of the Tunisian and the Maghreb Employers Unions (respectively UTICA and UME), urged the lifting of barriers related to customs and finance. He said AMU economic integration requires the implementation of a free trade zone, customs union and common market setting.

19. (U) Note: The AMU's share in Tunisia's total trade is only 7 percent. However, in 2008, Tunisia's trade with its AMU partners increased 40 percent with Libya, 85 percent with Algeria, 24 percent with Morocco and 52 percent with Mauritania.

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GOT Authorizes First Tunisian Private Islamic Bank  
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110. (U) Sakher El-Matri, the influential Tunisian businessman and son-in-law of Tunisia President Ben Ali, will soon launch an Islamic commercial bank, Zitouna ("Olive Tree" in Arabic -- a Quranic radio station owned by El-Matri shares the same name), according to regional French-language magazine Jeune Afrique. The Tunisian Central Bank, at the end of January, authorized El-Matri to create the first private Tunisian Bank that will operate in compliance with sharia law. Mr. El-Matri owns a large holding group, Princess El-Materi Holding, involved in different business sectors, cars distribution, real estate, cruise tourism, agribusiness and

pharmaceuticals.

¶11. (U) Note: Since independence Tunisia has had a secular system, and the GOT did not encourage the development of Islamic banking. However, in 1983, Saudi businessman Sheikh Salah Kamel, who developed the first Les Berges du Lac real-estate projects, obtained GOT permission to establish a Saudi-Tunisian Islamic bank, Best Bank, through which the aforesaid projects were financed.

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Household Indebtedness Reaches Historic Records  
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¶12. (U) According to Tunisian Central Bank (BCT) figures for the overall household indebtedness in 2008 totaled TND 8.2 billion (US \$6.72 billion), up from TND 5.9 billion (US \$4.66 billion) in 2007. This figure represents 15 percent of Tunisia's estimated 2008 GDP of \$42.7 billion in current prices. An article about these figures in Business News specified that 65.2 percent of loans were used for the purchase or extensions of houses and 31.1 percent for consumption. The number of indebted individuals increased from 50,000 in 2003 to over 800,000 in 2008 compared to Tunisia's economically active population of approximately 3.6 million individuals. The article remarked that available figures on households' indebtedness are well below the actual amount, given that various statistics don't count loans provided by the National Social Security Fund, mutual insurances and companies' social fund.

¶13. (SBU) Comment: This represents a paradigm change in a country where, prior to the mid-1990s and the establishment of the Banque Tunisienne de Solidarite, Tunisians typically self-funded personal consumption and even small business development. End Comment.

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